

the

# light report



**December 2003**

**Volume 7; Number 12**

## **Superintendent's Message: Recapping a Good Year**



This has been an eventful year for Seattle City Light.

We have stabilized our financial situation considerably since the 2000-01 energy crisis, which is good news for ratepayers. Through sound management of our water resources, we have had a good financial year despite a poor water year. Precipitation was well below normal in our watersheds – 72 percent of normal at the Skagit and 86 percent of normal at Boundary. Yet we were able to refill Ross Reservoir on schedule by July 1, and we anticipate about \$115 million in revenue from surplus power sales for the year.

At the end of July, City Light sold \$260 million of long-term debt with a true interest cost of 4.41 percent. The utility will use \$140 million of the issue to finance capital projects through 2004. We used the remaining \$120 million to refinance outstanding debt, achieving a \$6.5 million net present value savings for ratepayers. At the end of November, we paid off short-term debt borrowed from financial markets during the energy crisis, and we are on track to achieve normal operating cash balances and meet the goals of its financial policies by mid-2004.

Moody's and Standard & Poor's investor services both maintained their strong credit ratings for City Light in 2003, a further indication of our recovery from the energy crisis.

City Light signed the utility's first greenhouse gas mitigation contract in 2003. The contract, with the Climate Trust of Oregon and the Civil Engineering Research Foundation, offsets some of our greenhouse gas emissions by increasing the use of blended cement products, locally and globally. The initiative is designed to help accelerate a market transformation by creating new demand for smart, sustainable building materials.

City Light also signed an agreement with our own City government's Fleets and Facilities Department to replace conventional diesel fuel with cleaner biodiesel in all City vehicles. Similar agreements are in the works with Seattle Public Utilities and Washington State Ferries. These contracts will further offset greenhouse gas emissions and help build a local market for biodiesel.

City Light continued to sign up new subscribers to its Seattle

Green Power program in 2003. Their contributions enabled us to provide financial and technical support for solar energy systems in nine different Seattle neighborhoods – at schools, parks, the Woodland Park Zoo and even a city Pea Patch.

Our commitment to the environment remains strong. We helped the City of Seattle earn a 2003 Climate Protection Award from the federal Environmental Protection Agency. The award recognized Seattle for three initiatives:

- City Light's commitment to meeting all of its growth in energy demand through renewable resources and conservation;
- City Light's commitment to mitigating all greenhouse gas emissions from any fossil-fuel-based power it uses;
- and the City's inventory of all its corporate greenhouse gas emissions, which showed a 60 percent reduction in emissions since 1990.

City Light was honored for Outstanding Stewardship of America's Rivers in 2003 for our work on the Skagit River. Careful flow regimes and habitat restoration work have resulted in huge increases in pink and chum salmon runs. Pink salmon spawning runs have grown an average 11 percent per year since 1985. An estimated 2 million pink salmon returned to spawn in the Skagit this fall, making it the largest run of pinks in four decades. Chum salmon have increased 700 percent since 1985. City Light also took significant steps this year to protect and restore the threatened Skagit chinook population by preserving and restoring key habitat.

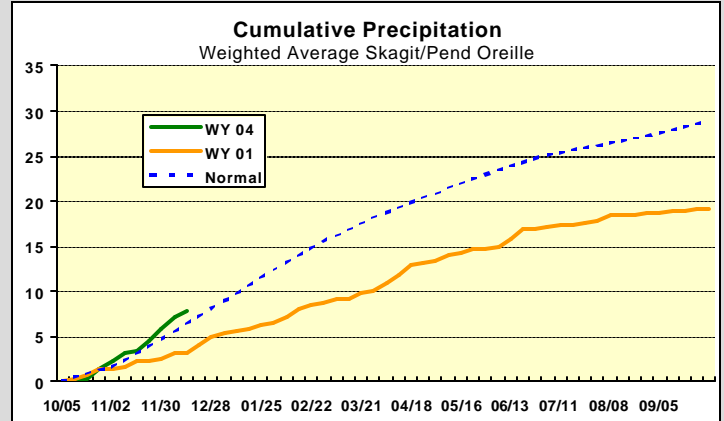
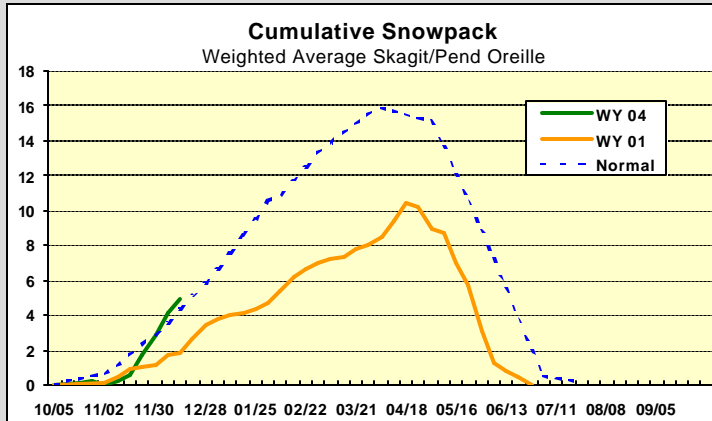
The independent Low Impact Hydropower Institute certified City Light's Skagit Project as Low Impact Hydropower this year, making it the first large hydro project in the nation to be so certified. The power produced at the Skagit now qualifies for participation in many green power programs.

City Light revived its Skagit Tours and celebrated their 75<sup>th</sup> anniversary in 2003. We had cancelled the tours in 2002 for security reasons. The tours drew more than 5,000 people to the utility's Skagit River dams over the past summer, providing City Light customers with a first-hand look at the hydropower facilities they own and giving the communities on the upper Skagit an economic shot in the arm.

City Light proved itself a good neighbor by helping reduce

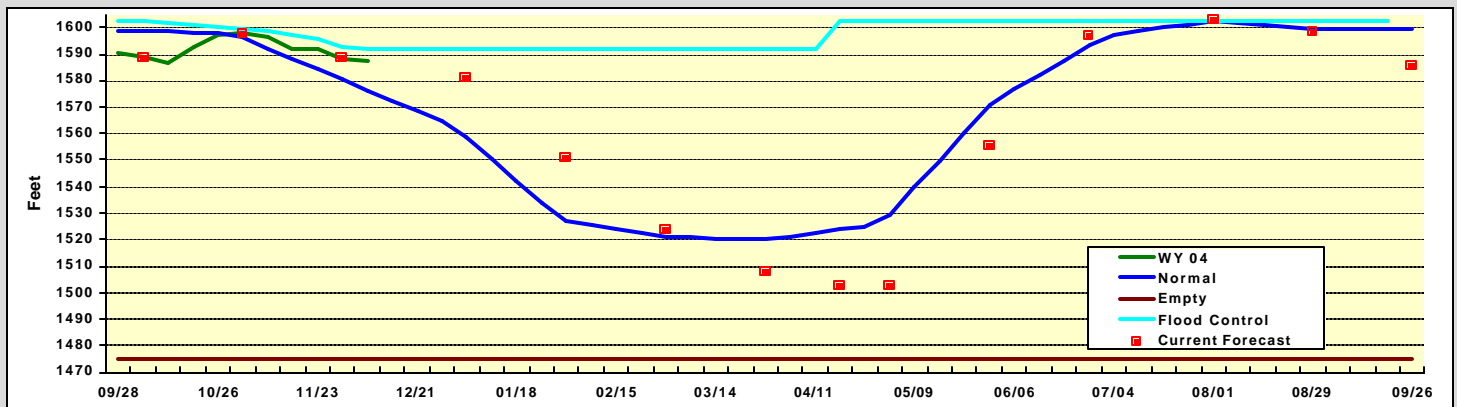
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## - Water Resources as of September 26, 2003 - Snowpack and Precipitation



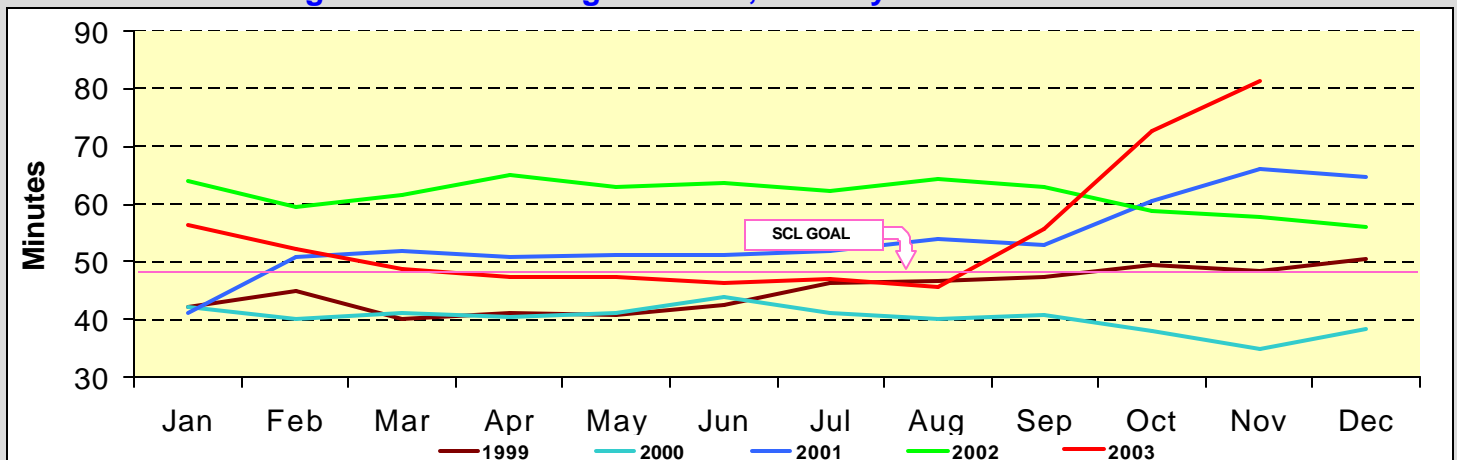
The weighted average of Cumulative Precipitation for the Pend Oreille/Skagit basins for the period October 1st, 2003 through November 30, 2003 was 131% of normal. Weighted Average River Basin Cumulative Snowpack as of November 30th had reached 115% of normal. The water year is now just 9 weeks old but the year is starting off in an encouraging fashion.

### Ross Reservoir Levels



The goal in November was to maintain Ross elevation at levels that would support flood control operations and optimum flows during the Chum Salmon spawning period Nov 15th through Jan 6th. Higher than normal inflows mid-month were a challenge, but the month ended with Ross at the desired elevation.

## - System Reliability - Average Customer Outage Minutes, January 1999 – November 2003



The System Average Interruption Duration Index (SAIDI) rose by 8.5 minutes to 81.2 for November. More than 75% of this increase was related to a series of high wind events throughout the month. Also, about 20% of the increase was related to equipment problems. In terms of contribution to SAIDI figures, while wind-related outages were extraordinarily high but equipment outages were about average with the past 2 years.

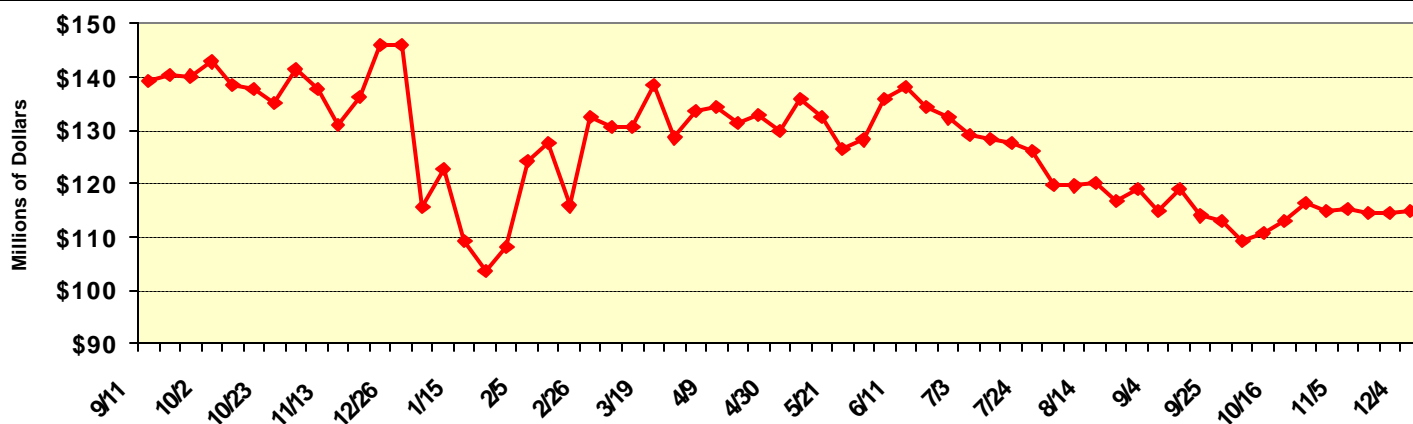
## - Markets and Power Management -

### Forward Power Prices, Current vs. Operating Plan (as of 12/4)

	High Load Hours			Low Load Hours		
	Operating Plan	Current	Change	Operating Plan	Current	Change
Jan 03	\$40	\$40	\$0	\$32	\$32	\$0
Feb 03	\$35	\$74	+\$39	\$30	\$70	+\$40
Mar 03	\$34	\$24	-\$10	\$28	\$21	-\$7
Apr 03	\$34	\$32	-\$2	\$24	\$30	+\$6
May 03	\$26	\$32	+\$6	\$16	\$22	+\$6
Jun 03	\$24	\$41	+\$17	\$16	\$33	+\$17
Jul 03	\$37	\$49	+\$12	\$25	\$39	+\$14
Aug 03	\$46	\$45	-\$1	\$31	\$37	+\$6
Sep 03	\$39	\$40	+\$1	\$27	\$32	+\$5
Oct 03	\$42	\$38	-\$4	\$31	\$24	-\$7
Nov 03	\$40	\$37	-\$3	\$30	\$31	+\$1
Dec 03	\$44	\$39	-\$5	\$35	\$35	\$0

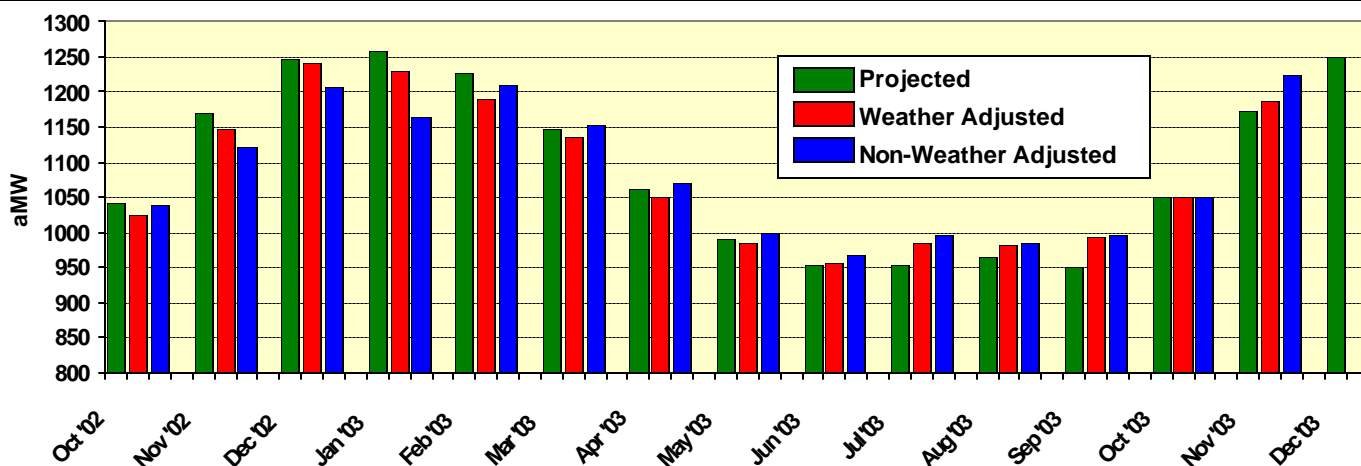
The table compares actual prices as of Dec 4 with those assumed in the Oct 2004 operating plan.

### Market Value of 2003 Position (as of 12/4)



We expect to end the year at approximately \$114 million in net wholesale power revenue.

### Load History and Projections (as of 11/30)



Load continues to exceed year-ago-month levels. If this trend holds through the end of 2003, annual load will be about 7 aMW higher than in 2002.

downstream flooding on the Skagit during severe floods in October. By holding as much water as possible behind its dams during the peak of the storms, City Light reduced the downstream river level by as much as nine feet. The U.S. Army Corps of Engineers recognized City Light for its "major contribution...to flood damage reduction in the Skagit River."

The year was capped by Mayor Nickels' announcement of Jorge Carrasco as his choice for City Light superintendent. I have thoroughly enjoyed my tenure as acting superintendent and appreciate the support and hard work of employees, the mayor and the City Council. I am honored to continue to serve in this capacity until a new superintendent takes over.  
*Jim Ritch, Acting Superintendent*

### **Bits and Pieces: News and Notes from City Light and the Utility Industry**

- **Rock Slide on Highway 20:** A large rockslide on November 9 closed Highway 20 between Newhalem and Diablo. The large, unstable rock mass above Afternoon and Falls Creek was evaluated by WSDOT. The



USGS stream gauge below Gorge Dam is operating and we are refining a procedure for the new instrumentation. There is one emergency lane open through the slide area. Skagit management continues to use a helicopter, weather permitting, to move personnel and supplies to Seattle City Light facilities east of Newhalem.

- **Federal Energy Regulatory Commission:** The FERC officially denied our petition for rehearing their decision not to award refunds in the Northwest from out-of-control power markets. The agency took the same step with respect to long-term contracts signed at the time by other agencies including the state of California, Bonneville Power Administration and Snohomish PUD. California will take the case to the 9<sup>th</sup> Circuit. On December 5, attorneys representing the City of Seattle filed in federal court, seeking to recover refunds due to the City from the 2000-2001 energy crisis.
- **Pioneer Square:** We have been working with the Office of Economic Development and the Pioneer Square Community Association to replace alley lights in several locations in Pioneer Square. Much progress is being made to sort out approaches and options. Edward Smalley (SCL) and Craig Ladiser (DCLU) have assisted by addressing permitting issues to achieve mutual goals.

- **Sound Transit:** Sound Transit's consultant has designed some utility relocations on Pine Street adjacent to the Paramount Theatre, to make way for tunnel reconfiguration. Work on Seattle City Light infrastructure includes three new vaults and 500 feet of duct bank in the adjacent sidewalk and street. SDOT concurs with the design. We have been assured that Sound Transit has been in constant communication with the Paramount. Sound Transit has committed to keeping the ticket window, entrances and exits open to patrons during Paramount business hours. Construction is scheduled to start next spring.

- **SMA Awards to SCL Employees:** Janice Gedlund of the Environmental Management and Compliance Team and Gary Dasalla of the Janitorial Commodity Team are recipients of Seattle Management Association awards. Information Technology staff were also recognized as members of the City's TOPOFF2 Cyber Exercise Team. They were all honored at the December 10 SMA luncheon.

- **New Electrician Constructor Apprentices:** Congratulations and welcome to five new Electrician Constructor Apprentices who begin their four-year journey in Power Stations in December. Sherri DeWitt and Tim Morrison are assigned to North Stations. Suzette Cain, Steve Kovac and Tammy Thieme are assigned to South Stations. Formal training will begin on December 8.

- **Seattle Housing Authority Outreach:** Seattle City Light conducted three tenant workshops and distributed information on conservation tips tailored to SHA tenants. We engaged CAMP to provide information regarding potential energy assistance dollars.

- **Gov. Gary Locke and top energy officials** officially marked the demise of the state's one-time grand vision of five nuclear-power plants. They signed an agreement for eventual reclamation of the sites of two never-completed nuclear plants at the Hanford nuclear reservation. Locke said the region now can move beyond memories of the 1983 bond default on several of the plants.

- **Public utilities across the Northwest** are backing the Snohomish County Public Utility District after it rejected a settlement offer last month from the Bonneville Power Administration that could have resulted in customer rate reductions. The Snohomish County PUD, the largest in Washington with 290,000 customers, adopted a resolution Nov. 18 rejecting a settlement offer from Bonneville, also known as the BPA. The federal agency provides 80 percent of the PUD's electricity. Still, PUDs across the region say they are hopeful a deal can be reached. Otherwise the lawsuit will be decided in federal court.

### **UPCOMING COUNCIL AGENDA ITEMS**

*Meetings of the Energy and Environmental Policy Committee have been cancelled through the end of 2003.. Meetings will resume in January 2004.*

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